

# FISCAL NOTE

**Bill #:** HB0540

**Title:** Bonding for higher education and other state projects

**Primary Sponsor:** Sue Dickenson

**Status:** As Amended by the House Appropriations Committee

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$625,857
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$0	(\$625,857)

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2             |

## Fiscal Analysis

### ASSUMPTIONS:

1. All bonds will be issued by the Department of Administration beginning in May 2006, consistent with the schedule on the following page.
2. All bonds will be retired by the general fund.
3. All bonds will have a 20-year term.
4. The payment dates for all bonds will be February (to make the first semiannual interest payment) and August (to make the second semiannual interest payment plus the annual principal payment).
5. The first bond payment will be due in February 2007, which will be the first interest payment for the May 2006 bond issue.
6. The debt service for the 2007 biennium was calculated using a 4.45 percent interest rate, which was provided by Piper Jaffray & Co., the state's financial advisor.
7. The \$10 million in bonds for the St. Mary Water Project would be used to match federal and local funds for the rehabilitation and replacement of the St. Mary diversion facilities.
8. Total costs for rehabilitation and replacement of the St. Mary diversion facilities is estimated to be approximately \$127 million.

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9. Federal authorization for rehabilitation and replacement of the St. Mary diversion facilities will be passed by Congress this year.
10. Necessary preliminary engineering, environmental analysis, cultural and historic investigations, and economic and financial analyses are completed by the end of FY 2006.
11. State funding of the Ft. Belknap Compact is necessary to meet the State's legal obligation for mitigation/cost-share under the Fort Belknap Water Right Settlement, 85-20-1001, MCA.
12. Congressional action on the Ft. Belknap Compact depends on state funding being in place.
13. Congressional ratification of the Fort Belknap Compact is completed in the 2007 biennium.
14. State funding of the Ft. Belknap Compact supports protection and financial stability of eight irrigation districts on the Milk River.
15. Issuance of state bonds for the St. Mary project and Fort Belknap Compact is dependent upon agreements with local interests and federal agencies.

<b>Issuance Schedule - 2007 Biennium</b>				
<b>Project</b>	<b>May 2006</b>	<b>May 2007</b>	<b>May 2008</b>	<b>Total</b>
<b>MONTANA STATE UNIVERSITY</b>				
Great Falls College of Technology	850,000	8,150,000	2,000,000	11,000,000
Billings College of Technology	3,680,000	4,920,000	400,000	9,000,000
Gaines Hall Renovation, Phase I	3,500,000			3,500,000
AES Projects	500,000			500,000
<b>UNIVERSITY OF MONTANA</b>				
Helena College of Technology	7,000,000	500,000		7,500,000
MTUM Petroleum Building	900,000	2,100,000	6,000,000	9,000,000
<b>MONTANA HISTORICAL SOCIETY</b>				
Montana Historical Society Building	1,000,000	6,500,000		7,500,000
<b>DNRC</b>				
St. Mary Water Project	5,000,000	5,000,000		10,000,000
Fort Belknap Water Compact	4,500,000	5,000,000		9,500,000
<b>Totals</b>	<u>26,930,000</u>	<u>32,170,000</u>	<u>8,400,000</u>	<u>67,500,000</u>

**FISCAL IMPACT:**

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Debt Service	\$0	\$625,857
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$625,857

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Revenues:

General Fund (01)	\$0	\$0
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	(\$625,857)
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**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

In addition to State funding, local funds will be necessary to meet non-federal cost share requirements of any rehabilitation and replacement of the St. Mary Diversion facilities. Specifically, irrigation districts will likely issue local debt to finance construction activities. This debt will be spread against irrigation lands receiving water from the Milk River and paid through assessments. In addition, municipalities who have water service contracts for Milk River waters will see an increase in contract costs associated with the non-federal share of construction costs.

**LONG-RANGE IMPACTS:**

Operation and Maintenance

The six (6) Montana University System projects included will result in an estimated biennial ongoing cost-upon-completion (increase) of general fund expenditures of \$2,938,993. This increase is attributable to increased O & M obligation and is based upon the assumption that O & M support will be consistent with the FY 2006-2007 Present Law Base funding splits. This state share was based upon the number of resident students, as a percentage of the total students for each campus. For the aggregated system, this split was approximately 80 percent state funds and 20 percent university funds.

The current Montana Historical Society (MHS) building is approximately 90,000 gross square foot, while the new facility is approximately 250,000 gross square foot. By consolidating the existing museum and its satellite facilities into 200,000 sf of the new facility, on-going operation and maintenance is expected to increase by \$1,972,966 for the biennium prior to the offsets noted below.

This cost is reduced by in-filling current leased space into the existing 90,000 gsf MHS building. This savings is estimated at \$801,524 because there is an estimated savings of about \$4.32 per square foot when comparing the "average leased space" rates in Helena to the rates charged by the Department of Administration, General Services Division. This assumption does not include the cost to retrofitting the existing MHS building for new occupants.

If the remaining 50,000 square foot in the new facility is rented at \$15 per square foot per year, \$1,500,000 in the biennium of lease revenue will be generated by the state. This could result in a biennial \$328,558 net savings in all funds in operation and maintenance costs by this move.

Future Debt Service

If this bill is approved and the bonds are issued in accordance with the schedule shown on page 2, the debt service will be approximately \$2,788,895 in FY 2008 and \$4,674,030 in FY 2009, with the final payment being made in 2029, based on information on the following page.

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<b>Fiscal Year</b>	<b>HB 540 Debt Service</b>
2006	0
2007	625,857
2008	2,788,895
2009	4,674,030
2010	5,113,524
2011	5,111,159
2012	5,108,688
2013	5,106,107
2014	5,103,412
2015	5,100,596
2016	5,097,655
2017	5,094,584
2018	5,091,375
2019	5,088,024
2020	5,084,524
2021	5,080,868
2022	5,077,049
2023	5,073,061
2024	5,068,895
2025	5,064,543
2026	5,059,998
2027	5,055,250
2028	3,036,882
2029	628,659

**TECHNICAL NOTES:**

1. State mitigation/cost share for the Fort Belknap compact is a legal obligation of the State of Montana, 85-20-1001, MCA. If state funds are not provided, the compact may be nullified. This could potentially force the State and the Tribe into litigation of the Fort Belknap reserved water right. Such litigation costs are estimated to be greater than the cost of the negotiated settlement. In addition to addressing, long-term obligations under the compact, the projects envisioned will provide immediate benefits to current irrigation in the Milk River basin. Proposed projects will improve water management and supply in a water short basin.